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STATE FOR SCA/CEN
JUSTICE FOR AFMLS, OIA, AND OPDAT
TREASURY FOR FINCEN

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SUBJECT: UZBEKISTAN: MAKING GOOD ON AML PROMISES

REF: 09 TASHKENT 2194

¶1. (U) SUMMARY. Uzbekistan's Ministry of Justice recently approved regulations that strengthen the Central Bank's ability to hold individual commercial banks, credit unions, and pawnshops accountable for anti-money laundering through their operations. This change comes just weeks before the Financial Advisory Task Force (FATF) plans to re-evaluate Uzbekistan's anti-money laundering (AML) regime at its February 2010 meeting. While it is too early to assess whether Uzbek officials will implement the regulations effectively or fairly, the enactment of stronger AML rules underscores the Uzbek commitment to gaining international legitimacy in this area and to follow through on promises made to the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG), a FATF-style regional body, which conducted an in-county evaluation in Uzbekistan in November 2009. END SUMMARY.

UZBEKISTAN RENACTING BASIC AML REGIME

¶2. (U) On 29 December 2009, the Central Bank of Uzbekistan adopted new regulations designed to increase its ability to demand financial institutions enact internal AML controls and to hold accountable those institutions that demonstrate a continuing lapse of AML efforts. The resolution was registered by the Ministry of Justice of Uzbekistan on 13 January 2010 and came into force on 23 January 2010.

¶3. (U) Under the new rules, the Central Bank of Uzbekistan may direct financial institutions to enact AML controls and can punish institutions whose controls are not sufficient. Specifically, if the Central Bank uncovers money laundering activity at a commercial bank, it may (under certain circumstances) fine the bank up to 1% of the minimal size of the commercial bank's charter capital and request the removal of the head of the commercial bank or its branch chief and those employees responsible for internal control. In extreme cases, the Central Bank may even ban a commercial bank from carrying out hard currency transactions for up to a year or withdraw its license to operate. Similar rules apply to credit unions, microcredit organizations and pawnshops: the Central Bank may fine credit unions and micro credit organizations up to 1% of the entity's minimal charter capital and pawnshops up to 50 times the Uzbek minimum wage (approximately UZ$ 1.9 million or US$ 1,250).

¶4. (U) These new regulations are the latest in a series of provisions adopted by the GOU to strengthen its AML rules. In regulations passed in 2004, Uzbekistan enacted a basic AML regime

that contained a range of AML provisions, including customer due diligence (CDD), record keeping, and reporting. While the AML/CTF law went into effect on 1 January 2006, important parts of the law were suspended until 1 January 2013 pursuant to several presidential decrees and an additional law in 2007. These actions drew heavy criticism from the international community and led the FATF to review the AML situation in Uzbekistan. In April 2009, the GOU responded to international concerns by re-enacting many of the 2004 AML provisions. Parliament adopted the first of several follow-on amendments to the AML law in September 2009, which took effect in November 2009. See ref A.

¶5. (U) While these new regulations are a welcome sign that Uzbekistan seeks to meet international financial standards, key obstacles still remain for combating AML activities. In particular, the widespread unofficial, unmonitored cash-based market creates opportunities for money laundering activity destined for internal criminal enterprises. The picture surrounding Uzbekistan's AML regulations will become clearer as additional information emerges from the FATF's February meeting and the EAG's evaluation report, set to be released in early June 2010.
NORLAND